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16 UNITED STATES BANKRUPTCY COURT
17 NORTHERN DISTRICT OF CALIFORNIA
18 (SAN FRANCISCO DIVISION)

19 In Re

20 PG&E CORPORATION,

21 and

22 PACIFIC GAS AND ELECTRIC COMPANY,

23 Debtors.

Case No. 19-30088 DM

CHAPTER 11

**DECLARATION OF JOSHUA SPERRY
IN SUPPORT OF ESC LOCAL 20'S
RESPONSE TO DEBTOR'S MOTION
TO PAY PREPETITION EMPLOYEE
OBLIGATIONS AND CONTINUE
WAGES AND BENEFITS**

- 24 ☐ Affects PG&E Corporation
25 ☐ Affects Pacific Gas and Electric Company
26 ☒ Affects both Debtors

27 *All papers shall be filed in the Lead Case,
28 No. 19-30088 (DM)*

Date: February 27, 2019
Time: 9:30 a.m.
Location: U.S. Bankruptcy Court
Courtroom 17, 16th Floor
San Francisco, CA 94102

1 I, Joshua Sperry, do hereby declare:

2 1. I am a Senior Union Representative at Engineers and Scientists of California Local
3 20, IFPTE (“ESC Local 20”), the exclusive collective bargaining representative of over 3,700 of
4 the Debtors’ employees. I make this declaration upon my personal knowledge, and, if called as a
5 witness, I could competently testify to the facts hereinafter stated.

6 2. ESC Local 20 is a party to a collective bargaining agreement with Pacific Gas and
7 Electric Company (“PG&E”), dated January 1, 2016. A true and correct copy of the collective
8 bargaining agreement, which covers the terms and conditions of employment for all the
9 professional and technical employees represented by ESC Local 20, is attached hereto as
10 **Exhibit A.**

11 3. The term of the collective agreement was extended through December 31, 2021 in
12 a letter of agreement. A true and correct copy of the letter of agreement extending the contract is
13 attached hereto as **Exhibit B.**

14 4. As a Senior Union Representative for the employees at PG&E for over ten years, I
15 am intimately familiar with the collective bargaining agreement and its administration. I have
16 served as co-chief negotiator for the Union in the two most recent rounds of general contract
17 negotiations, I oversee the upper levels of our grievance procedure, and I negotiate all Letters of
18 Agreement between the Union and PG&E during the term of our contracts.

19 5. The collective bargaining agreement requires Short Term Incentive Plan (STIP)
20 payments as part of the employees’ compensation. ESC Local 20 has approximately 1,200
21 members at PG&E who are eligible for STIP payments. Pursuant to the agreement, the amount of
22 the STIP payment for each employee is calculated by multiplying that employee’s eligible
23 earnings, their participation rate, their individual modifier, and the company score:

24 $\boxed{\text{Eligible Earnings}} \times \boxed{\text{Participation Rate}} \times \boxed{\text{Individual Modifier}} \times \boxed{\text{Company Score}}$

25 6. For nearly all ESC-represented employees who are eligible for STIP payments, the
26 Participation Rate is 10%, meaning that the target level for the STIP payment is 10% of the
27 employee’s base salary. For about 10 employees in “Principal Engineer” classifications, the
28

1 participation rate is 15%. Managers (outside of the ESC bargaining unit) have higher
2 participation rates than ESC-represented employees.

3 7. The Individual Modifier for each employee is determined by that employee's
4 Performance Rating assigned by their supervisor. A supervisor will determine whether each
5 employee has met or exceeded their target for their goals and has performed successfully in their
6 competencies. A rating better than "Target-Successful" means that the Individual Modifier will
7 be greater than 100%, and the STIP payment will be enhanced. A rating lower than "Target-
8 Successful" means the Individual Modifier will be lower than 100%, and the STIP payment will
9 reduced. The collective bargaining agreement provides that employees will be given reasonable
10 notice of specific performance issues and an opportunity to improve before STIP awards are
11 reduced. ESC Local 20 can and does file grievances for employees who dispute their
12 Performance Rating, often involving employees whose STIP payments were reduced without
13 proper notice and opportunity to improve. ESC Local 20 files around 45 grievances regarding
14 STIP payments each year.

15 8. The Company Score is determined by PG&E management based on company-
16 wide metrics measuring safety, reliability, customer service, financial performance, and other
17 factors that vary from year to year. For instance, a portion of the Company Score may be
18 determined by the System Average Interruption Duration Index, another portion of the score may
19 be related to gas emergency response times, another portion of the score may be tied to earnings
20 from operations. The Company announces these metrics and the weight that will be given to each
21 metric in determining the Company Score at the beginning of the year in an effort to incentivize
22 employees to help improve performance on each of these areas for that year. The metrics change
23 from year to year as the Company's goals change. At the end of the year, the Company
24 determines how it performed on each of those metrics and weights them all together to calculate
25 the Company Score. A Company Score below 1.0 reduces STIP payments to all employees in
26 STIP – ESC and non-ESC represented – while a Company Score above 1.0 increases the STIP
27 payments.

28 9. ESC Local 20 members have received STIP awards since 2008.

1 10. ESC Local 20 gave up wage increases for some workers in exchange for STIP
2 payments for those workers. For instance, in the 2012-2015 collective bargaining agreement
3 between ESC Local 20 and PG&E, hourly employees and monthly employees who were already
4 in the STIP program received a total General Wage Increase of 8.25% over three years. Monthly
5 employees who were not already in the STIP program received a wage increase of only 3% over
6 three years, but has STIP phased in over the three year period. This was widely understood and
7 agreed to be an exchange of base salary for pay at risk. A true and correct copy of the cover letter
8 to the 2012-2015 collective bargaining agreement describing this exchange is attached hereto as
9 **Exhibit C.**

10 11. ESC Local 20 considers STIP payments as part of "total compensation" when
11 negotiating with PG&E and comparing compensation to other companies (where annual bonuses
12 are also a regular part of total compensation for salaried workers).

13 12. IBEW Local 1245 also represents about 30 employees who participate in the STIP
14 program. I have spoken to IBEW representatives about that group on several occasions. They
15 also treat STIP as part of the compensation of those workers.

16 13. In 2018, ESC Local 20 and PG&E entered Letters of Agreement regarding
17 relocation payments to Estimators, Electric Mappers, and Gas Mappers whose positions were
18 moved to new headquarters as a result of PG&E's consolidation and reorganization of these
19 functions. ESC Local 20 bargained for these payments, which range from \$10,000 to \$25,000, to
20 compensate employees being moved to new locations. True and correct copies of the Letters of
21 Agreement concerning relocation payments to Estimators, Electric Mappers, and Gas Mappers
22 are attached hereto as **Exhibits D-F.**

23
24 I declare under penalty of perjury of the laws of the United States that the foregoing is true
25 and correct. Executed February 20, 2019, in Oakland, California.

26
27 By:

JOSHUA SPERRY

28 147061\1011290

1 **CERTIFICATE OF SERVICE**

2 I am a citizen of the United States and an employee in the County of Alameda, State of
3 California. I am over the age of eighteen years and not a party to the within action; my business
4 address is 1001 Marina Village Parkway, Suite 200, Alameda, California 94501.

5 I hereby certify that on February 20, 2019, I electronically filed the forgoing
6 DECLARATION OF JOSHUA SPERRY IN SUPPORT OF ESC LOCAL 20'S RESPONSE TO
7 DEBTOR'S MOTION TO PAY PREPETITION EMPLOYEE OBLIGATIONS AND
8 CONTINUE WAGES AND BENEFITS with the U.S. Bankruptcy Court, Northern District
9 California, by using the Court's CM/ECF system.

10 Pursuant to controlling General Orders and LBR, the foregoing document will be served
11 by the court via NEF and hyperlink to the document. On February 20, 2019, I checked the
12 CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the
13 following persons are on the Electronic Mail Notice List to receive NEF transmission at the email
14 addresses stated below:

15 SEE ATTACHED SERVICE LIST

16 On February 20, 2019, I served the following persons and/or entities at the last known
17 addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy
18 thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed
19 as follows. Listing the judge here constitutes a declaration that mailing to the judge will be
20 completed no later than 24 hours after the document is filed.

21 SEE ATTACHED SERVICE LIST

22 I certify under penalty of perjury that the above is true and correct. Executed at Alameda,
23 California, on February 20, 2019.

24
25
26 /s/ Stephanie Mizuhara
Stephanie Mizuhara

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